

Regional Council of Mayors

April 9, 2012

PRESENTATIONS

What's Next? A Whole New Economy

Although it's common to talk about economic cycles, Maureen McAvey, executive vice president of ULI Initiatives Group, said the current economy is not a cycle, "it's as big a change as when we went from an agricultural society to an industrial society. I believe we are in a world reset."

She cited six areas in which the world has changed and is changing:

- Work—jobs, the workforce, regional disparities.
- Live—housing types, demand and size.
- Connect—technology, design of office spaces.
- Move—infrastructure of all kinds.
- Renew—sustainability trends.
- Invest—capital markets and finance.

Work

As the population changes, the impact will be dramatic, McAvey said. Currently, Generation Y (those about 16–33 years old) represents about 85 million in the United States; Generation X (34–46), 41 million; Baby Boomers (47–65), 81 million; War Babies (66–81) plus Silent Generation (82 and older), 40 million. The Generation Y, or Millennials, are the largest generation in American history. It's a more urban group, and 40 percent are minorities.

At the same time, the aging generations will put new demands on society. McAvey said that in 1945, there were 42 people working for every retiree; in 2009, there were only three workers for every retiree. "The issue isn't how can we fix Social Security," she said, "it's what does our society look like and what happens to our labor force."

Between now and 2018, she said, the two groups that are expected to increase their participation in the workforce are those now 25–35 and the Baby Boomers, a large number of which want to keep working past age 55.

Jobs of the future will be in professional categories. In what McAvey calls "eds and meds" (education and health services), there has been an 81 percent increase in jobs in just a little over 20 years. She expects that this will keep growing.

During the same period, there was a 37 percent decrease in manufacturing jobs and a 57 percent increase in professional and business service jobs. These changes in the kinds of jobs available mean that different skills—and more

education, are needed. “It’s critical to educate our young people and invest in the future,” McAvey said. “Asia is building schools as fast as they can. Either we compete, or we fall behind.”

For example, in the United States, about 39 percent have some kind of post-secondary degree or certificate (in Minnesota, it’s 42 percent). In Canada, the number is 55 percent; in Japan, it’s 54 percent.

Jobs will cluster in areas where there is a better educated workforce and will be in urban areas, she said. Areas that will be attractive to companies will have anchor institutions, capital, a good business climate and good higher education institutions.

Live

Home ownership is less popular than it was 20 years ago, and will probably revert to the pattern of many decades and be at 63–64 percent. For many reasons, rentals—especially apartments—are more desirable now. Living spaces, whether homes or rental spaces, are changing, McAvey said. The housing trends of the near future will be:

- Smaller. “We’re past the mega-mansions,” she said. “There’s been a 20 percent fall-off in the average square footage of new homes, with an average at 2,100 square feet and continuing to fall.”
- More multigenerational.
- More convenient.
- Transit-linked. “For every car you don’t need to own, you save \$8,000 to \$10,000 per year.”
- Energy efficient.
- More mixed-use buildings, with retail, office and housing.

From now through 2017, there will be 4.3 million people turning 22—and presumably looking for independent housing of some kind—each year.

Connect

Many of the same trends that are seen in housing are seen for office space, McAvey said. Although today’s technology allows many workers to cyber-commute, she said that collaboration between employees is important, so there will still be office spaces. “Google said that if they had their preference, all their employees would be in one location on one mega-footprint,” she said. “Collaboration is valuable.”

Trends for workspaces include:

- Less square footage overall, and smaller spaces for each employee. “We’re not seeing cube farms; we’re seeing more collaborative spaces, more open layouts.”
- Near transit.
- In cities.

- “Fun” shops.

Landlords will be expected to provide amenities, possibly even including health clubs, to have buildings that are Energy Star and LEED certified and with mixed uses.

Opportunities

The changes in the economy offer challenges and opportunities, McAvey said, and the Twin Cities is in a good position, if it can come together as a region, provide leadership, and invest in “education, education, education” and infrastructure.

St. Paul Mayor Chris Coleman pointed out that needed resources are dwindling, making it harder to take advantage of the opportunities. “I’m seeing the business community starting to understand that if they don’t find a way to engage in public-private partnerships, we will decline as a country,” said McAvey.

Education is key. “More people know who Justin Bieber is than know the name of the vice president or the state’s two U.S. senators,” she said. “Many can’t find Afghanistan on a map, even though we’ve been fighting there for 10 years. We need to help our fellow Americans of all stripes get smarter.

For a copy of the ULI report: *What’s Next? Real Estate in the New Economy*, go to www.uli75.org.

Building a 21st^t Century ‘Infostructure’

Regional “infostructure,” or broadband connectivity and data center capacity, is an important consideration for businesses looking to locate or expand, said Mat Schmit of the Humphrey School of Public Affairs.

Data center capacity includes carrier hotels and hosted content servers, which are more and more important as companies move to “cloud” computing. Schmit said Minnesota is particularly well-positioned for data center capacity because of its cool climate (computers need to be kept at cooler temperatures, so this saves on cooling costs), stable geography (no earthquakes, little violent weather of any kind) and skilled workforce.

Greater MSP is currently trying to recruit data center facilities to the Twin Cities because of the excellent potential.

Broadband connectivity is “the next frontier of essential infrastructure,” said Schmit. In fact, he said, it’s a 21st century utility, needed as much as electricity, water, etc.

Although the term “broadband” is used to describe a wide range of services, most of them are becoming obsolete. Fiber, which provides ultra-high-speed broadband, is needed both now and in the future. Cable, which provides much of the broadband connectivity now, can carry 2 million bits of data per second; fiber

can carry more than 1 trillion bits per second. Fiber can be extended longer distances than cable and is “future-proof,” Schmitt said, “a medium that will be here for the long haul.”

The United States is somewhat behind other industrial nations in broadband service on several measures. Japan, for example, has average download speeds that are more than 10 times faster than those in the United States. Finland provides services at an average monthly price of \$31.18, compared to \$53.06 for the United States.

Schmit said that more local governments in Minnesota are investing in fiber networks, including Scott, Anoka and Carver counties, which have or are building fiber networks. There also are several projects in Greater Minnesota.

Caren Dewar said the way to create a modern “infostructure” for the region is part of the work plan for the Regional Cluster Initiative.

For a copy of Schmit’s PowerPoint presentation, go to [xxxxxxx](#).

EXECUTIVE DIRECTORS REPORT

Greater MSP and the Metropolitan Council are interested in partnering with the Regional Council of Mayors to present Reality Check 2.0 to build regional consensus for an investment strategy, said Caren Dewar. Reality Check 2.0 is an evidence-based experiential tool that has been used in several regions of the country to look at where and how it makes sense to grow.

Dewar said the next steps now are to recruit an advisory committee for the project. “In our economy, it’s no so much where the growth is going to go, but how it’s going to happen,” she said.

The “visioning sessions” would take place in early 2013, Dewar said, and could help set the stage for that session of the Minnesota Legislature.

Regions that have used the Reality Check tool include Los Angeles; Washington, DC; North Texas; Baltimore; Seattle, Phoenix; and Jacksonville, FL.

For more information about Reality Check, go to <http://www.uli.org/CommunityBuilding/RegionalLeadershipandCooperation/Reality%20Check.aspx>.

METRO WATCH

Support for Southwest LRT

Mayors who personally support funding for the proposed Southwest LRT in this year’s bonding bill were encouraged to sign individual resolutions and send them to their legislators. Currently, \$25 million for planning is not contained in the omnibus bonding bill in either the Minnesota House or the Minnesota Senate.

That matching funding is required before the federal government will provide its funds for the project.

INITIATIVE UPDATES

Jobs and Work Force Initiative

There will be a CEO to CEO convening session on May 14.

Environment Initiative

Richfield Mayor Debbie Goettel said that eight cities, plus the original three, have agreed to be Green Step Cities, getting a complete energy audit, at a cost of \$2,500 each. RCM is looking for a total of 20 cities to sign up for the audit. Goettel said the staff resource of the cities is minimal.

Connecting Transportation and Land-Use Initiative

Mayor Terry Schneider of Minnetonka said he has gotten good feedback on the draft of the *Reinvesting in the Region (Re)Development Ready Guide*, which was distributed to mayors and community development managers. A revised version will come back to RCM.

Housing

A leave-behind piece has been developed for the *Navigating the New Normal* workshops, so attendees have a quick summary of the workshop content and those who have not attended can see what the workshops are about.

COMING UP

The next RCM meeting will be held on Monday, May 14, 2012 from 11:30 am to 1:30 pm. RCM meetings are held on the second Monday of every month at Dorsey & Whitney.

The June RCM meeting will be combined with the ULI Housing Summit on Thursday, June 7, 8–11 am. There will not be a meeting on Monday, June 11.

Mayors are encouraged to email Caren Dewar with their suggestions for topics to add to the agenda.

ATTENDEES

The following individuals were in attendance on April 9, 2012:

Mayors

Doug Anderson

City of Dayton

Ardell Brede	City of Rochester
Chris Coleman	City of St. Paul
Jerry Faust	City of St. Anthony
Tom Furlong	City of Chanhassen
Debbie Goettel	City of Richfield
Mary Hamann-Roland	City of Apple Valley
Shep Harris	City of Golden Valley
Kathi Hemken	City of New Hope
Mary Hershberger-Thun	City of Victoria
Marvin Johnson	City of Independence
Dean Johnston	City of Lake Elmo
Sandra Krebsbach	City of Mendota Heights
Alan Lindquist	City of Osseo
Sandy Martin	City of Shoreview
Gene Maxwell	City of Hopkins
R.T. Rybak	City of Minneapolis
Terry Schneider	City of Minnetonka
John Sweeney	City of Maple Plain
Nancy Tyra-Lukens	City of Eden Prairie
Ken Willcox	City of Wayzata
Janet Williams	City of Savage
Gene Winstead	City of Bloomington

Guests

Cecile Bedor, City of St. Paul; John Breitingger, ULI Minnesota; Mark Casey, City of St. Anthony Village; Emmett Coleman, Comcast; Erin Dady, City of St. Paul; Jenna Fletcher, Trust for Public Land; Héctor García, Chicano Latino Affairs Council; Michael Huber, Blue Cross/Blue Shield Minnesota; Curt Johnson, Citistates Group; Todd Klingel, Minneapolis Regional Chamber; Kevin Locke, City of St. Louis Park; Mike Logan, Comcast; Lee Munnich, Humphrey School; Burke Murphy, Regional Cluster Initiative; Patricia Naumann, Envision Minnesota; Bruce Nordquist, City of Apple Valley; Guy Peterson, Metropolitan Council; Cathy Polasky, City of Minneapolis; Elizabeth Ryan, Family Housing

Fund; Matt Schmit, Regional Cluster Initiative; Sally Wakefield, Envision Minnesota; Jeremy Hanson Willis, City of Minneapolis.

Staff

Katie Anderson, Cathy Bennett, Caren Dewar, Linda Picone